

## Message Text

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16

ACTION EB-11

INFO OCT-01 EA-11 NEA-10 ADP-00 AGR-20 COME-00 AID-20

IGA-02 TRSE-00 OMB-01 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 RSR-01 /143 W

----- 023806

R 100815 Z MAY 73

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 6739

INFO AMEMBASSY BANGKOK

AMEMBASSY TOKYO

AMEMBASSY DACCA

AMEMBASSY NEW DELHI

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E. O. 11652: N/ A

TAGS: EAGR BM

SUBJECT: BURMA DECONTROLS RICE, WHEAT

REF: CERP D

1.(U) GUB ANNOUNCED EFFECTIVE MAY 10 DECONTROL OF ALL INTERNAL TRADE IN PADDY, RICE, RICE PRODUCTS, AND WHEAT. EFFECT IS TO PERMIT ANY PERSON TO BUY, SELL, TRANSPORT, STORE, OR PROCESS THESE COMMODITIES, EXCEPT THAT EXPORT TRADE REMAINS GOVERNMENT MONOPOLY.

DECONTROL REVERSES POLICY WHICH HAS BEEN IN EFFECT SINCE JANUARY 1966 AND COMES SOON AFTER GUB ACTION APRIL 21 TO STRIP COOPERATIVES OF THEIR MONOPOLY OF INTERNAL RICE PROCUREMENT AND DISTRIBUTION.

2. COMMENT: (LOU): THIS ACTION IS AN IMPORTANT FURTHER STEP IN BURMA' S ECONOMIC LIBERALIZATION, AND IS SIGNIFICANT COMING IMMEDIATELY AFTER CHAIRMAN NE WIN' S RETURN FROM VISIT TO JAPAN AND THAILAND. IT CLEARS WAY FOR RISE IN OFFICIAL INTERNAL PRICES TO SOMEWHERE NEAR PRESENT BLACK- MARKET LEVELS, AND PROVIDES CONSE-  
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QUENT STRONG INDUCEMENT TO FARMERS TO REVERSE PRESENT STAGNANT TO DOWNWARD PRODUCTION TREND. EARLIER EXPERIENCES WITH DECONTROL AND CONTROL OF WHEAT, AS WELL AS LONG HISTORICAL EXPERIENCE, INDICATE THAT BURMESE FARMERS TEND TO RESPOND RAPIDLY AND EFFECTIVELY TO SUCH PRICE INCENTIVES.

3.( LIMITED OFFICIAL USE) ON THE OTHER HAND, SUCCESS OF MOVE WILL DEPEND ON TWO FACTORS WHICH CANNOT YET BE DETERMINED: ( A) WILL BUSINESSMEN BE PREPARED TO DEAL IN RICE ON AN ADEQUATE SCALE, RISKING POSSIBLE REIMPOSITION OF CONTROLS ONCE THE PRESENT CRISIS IS OVER, OR WILL INTERNAL RICE TRADE BE LEFT TO PEDDLERS AND PETTY TRADERS? ( B) HOW WILL GUB, UNABLE TO INCREASE IMPORTS OR PROVIDE ADEQUATE INCENTIVE GOODS, CONTAIN INFLATIONARY PRESSURES RESULTING FROM INCREASES IN PRICE OF RICE AND PROBABLY OTHER AGRICULTURAL COMMODITIES?

4. MINOR SIDELIGHT IS THAT DECONTROL WILL ALSO TEND TO FACILITATE SMUGGLING TO NEIGHBORING COUNTRIES.  
MARTI

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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**Subject:** BURMA DECONTROLS RICE, WHEAT  
**TAGS:** EAGR, BM  
**To:** BANGKOK  
DACCA  
EB  
NEW DELHI  
SECSTATE WASHDC  
TOKYO  
**Type:** TE

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